

AMES COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities	J	23
Notes to Basic Financial Statements		24-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	44
Schedule of Expenditures of Federal Awards	6	45-46
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		47-48
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		49-50
Schedule of Findings and Questioned Costs		51-57

Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Ronald Werner-Wilson	President	2008
Gail Johnston	Vice President	2007
Mary Ann Dilla	Board Member	2006
Roy Cakerice	Board Member	2006
Brian Dieter	Board Member	2006
Pat Brown	Board Member	2007
Mike Murray	Board Member	2008
Board of Education (After September 2006 Election)		
Ronald Werner-Wilson	President	2008
Gail Johnston	Vice President	2007
Pat Brown	Board Member	2007
Mike Murray	Board Member	2008
Roy Cakerice	Board Member	2009
Anita Rollins	Board Member	2009
Francis Today	Board Member	2009
School Officials		
Dr. Linda Beyea	Superintendent	2007
Karen Shimp	District Secretary/Treasurer and Chief Financial Officer	2007
Ahlers & Cooney, P.C.	Attorney	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Ames Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ames Community School District, Ames, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ames Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2008 on our consideration of Ames Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ames Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Ames Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Fiscal 2007 General Fund expenses exceeded revenues by \$.6 million. The deficiency of revenues under expenses resulted in a decrease in the fund balance from \$8.5 million to \$7.9 million. Revenues were \$39.8 million vs. \$39.7 million in fiscal 2006, and expenditures were \$40.4 million vs. \$38.5 million in fiscal 2006. Increased costs related to the increase in negotiated salaries and benefits, busing and utility expenses were the primary reason for the expenses exceeding the revenues.
- Revenues continued to benefit from the general cash reserve levy, at nearly \$1.5 million for fiscal year 2007.
- The District's September 2006 enrollment declined for the ninth consecutive year. The certified enrollment was 4,318, a decrease of 652 over the past nine years.
- The state granted 4% "allowable growth" in 2006 and 2007, which was the increase in per pupil spending. This follows years of 2% allowable growth in fiscal years 2004 and 2005, respectively. Over the past four years Iowa school districts have received the least allowable growth in the nearly 35-year history of the school foundation aid formula.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ames Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ames Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ames Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Ames Community School District Annual Financial Report

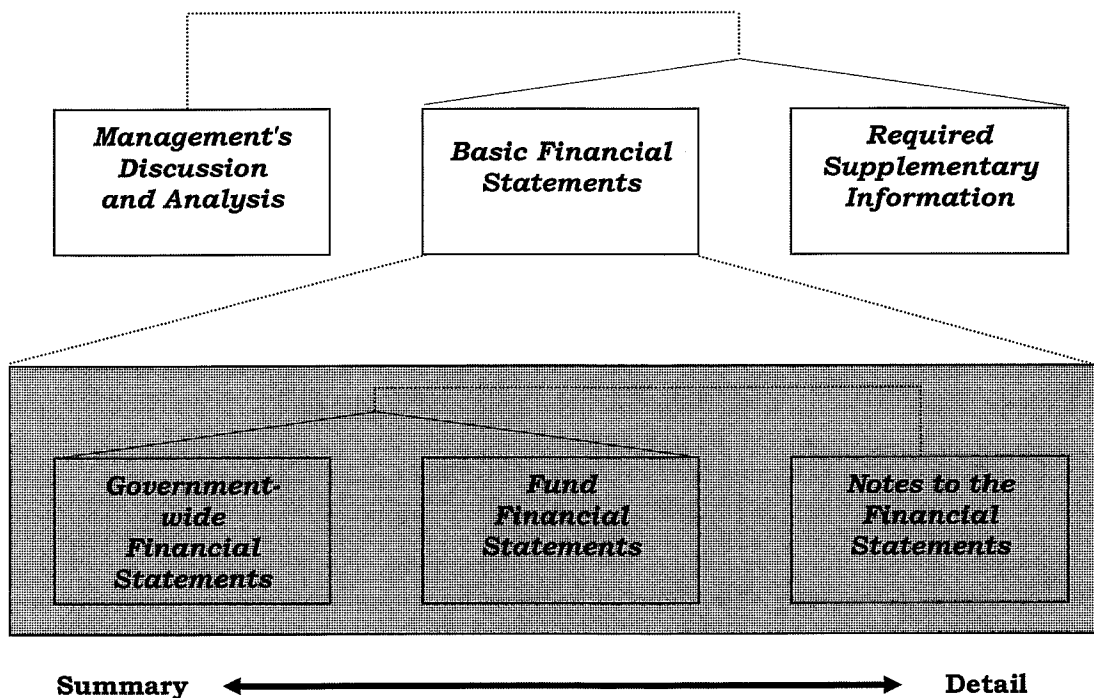


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has two internal service funds, the Health Insurance Fund and the Print Shop Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

- **Agency Fund** – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities June 30,		Business-type Activities June 30,		Total District June 30,		Total Change June 30, 2006-07
	2007	2006	2007	2006	2007	2006	
Current and other assets	\$ 49,589,996	49,554,618	35,885	60,765	49,625,881	49,615,383	0.02%
Capital assets	54,617,492	55,407,462	762,214	844,778	55,379,706	56,252,240	-1.55%
Total assets	104,207,488	104,962,080	798,099	905,543	105,005,587	105,867,623	-0.81%
Long-term obligations	28,180,118	31,666,043	0	0	28,180,118	31,666,043	-11.01%
Other liabilities	28,781,685	32,013,783	884,133	1,004,527	29,665,818	33,018,310	-10.15%
Total liabilities	56,961,803	63,679,826	884,133	1,004,527	57,845,936	64,684,353	-10.57%
Net assets:							
Invested in capital assets, net of related debt	29,991,042	26,227,514	762,214	844,778	30,753,256	27,072,292	13.60%
Restricted	3,526,057	333,610	0	0	3,526,057	333,610	956.94%
Unrestricted	13,728,586	14,721,130	(848,248)	(943,762)	12,880,338	13,777,368	-6.51%
Total net assets	\$ 47,245,685	41,282,254	(86,034)	(98,984)	47,159,651	41,183,270	14.51%

The District's combined net assets increased by 14.51%, or \$5,976,381, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$3,192,447, or 956.94% over the prior year. The increase

was primarily a result the increase in the Management Levy Fund balance, a decrease of early retirement liabilities and the increase in the Capital Projects Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$897,030, or 6.51%. This decrease is due to the decrease in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 4,710,044	4,301,613	967,254	958,291	5,677,298	5,259,904	7.94%
Operating grants and contributions and restricted interest	4,141,558	3,770,707	517,792	425,410	4,659,350	4,196,117	11.04%
General revenues:							
Property tax	24,996,958	24,238,200	0	0	24,996,958	24,238,200	3.13%
Income surtax	1,863,129	1,771,989	0	0	1,863,129	1,771,989	5.14%
Local option sales and services tax	4,338,047	3,891,808	0	0	4,338,047	3,891,808	11.47%
Unrestricted state grants	11,733,867	11,429,589	0	0	11,733,867	11,429,589	2.66%
Other	1,438,880	1,257,558	4,227	0	1,443,107	1,257,558	14.75%
Total revenues	53,222,483	50,661,464	1,489,273	1,383,701	54,711,756	52,045,165	5.12%
Program expenses:							
Governmental activities:							
Instructional	29,569,502	26,040,408	0	0	29,569,502	26,040,408	13.55%
Support services	13,678,425	11,651,335	17,081	0	13,695,506	11,651,335	17.54%
Non-instructional programs	0	0	1,462,312	1,445,244	1,462,312	1,445,244	1.18%
Other expenses	4,011,125	7,890,598	0	0	4,011,125	7,890,598	-49.17%
Total expenses	47,259,052	45,582,341	1,479,393	1,445,244	48,738,445	47,027,585	3.64%
Changes in net assets before capital contributions	5,963,431	5,079,123	9,880	(61,543)	5,973,311	5,017,580	19.05%
Capital contributions	0	0	3,070	748,077	3,070	748,077	-99.59%
Changes in net assets	5,963,431	5,079,123	12,950	686,534	5,976,381	5,765,657	3.65%
Beginning Net Assets	41,282,254	36,203,131	(98,984)	(785,518)	41,183,270	35,417,613	16.28%
Ending Net Assets	\$ 47,245,685	41,282,254	(86,034)	(98,984)	47,159,651	41,183,270	14.51%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 80.67% of the revenue from governmental activities while charges for service and seals and operating grants and contributions account for 99.72% of the revenue from business-type activities.

The District's total revenues were \$54,711,756 of which \$53,222,483 was for governmental activities and \$1,489,273 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.12% increase in revenues and a 3.64% increase in expenses. Property tax increased by \$758,758 to fund increases in expenditures. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses in busing and utility costs.

Governmental Activities

Revenues for governmental activities were \$53,222,483 and expenses were \$47,259,052.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Service		
	2007	2006	Change 2006-07	2007	2006	Change 2005-06
Instruction	\$ 29,569,502	26,040,408	13.55%	22,226,912	19,402,520	14.56%
Support services	13,678,425	11,651,335	17.40%	13,465,824	11,438,596	17.72%
Other expenses	4,011,125	7,890,598	-49.17%	2,714,714	6,668,905	-59.29%
Totals	\$ 47,259,052	45,582,341	3.68%	38,407,450	37,510,021	2.39%

- The cost financed by users of the District's programs was \$4,710,044.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,141,558.
- The net cost of governmental activities was financed with \$31,198,134 in local tax, \$11,733,867 in unrestricted state grants, \$828,723 in unrestricted investment earnings and \$610,157 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activity were \$1,489,273 and expenses were \$1,479,393. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, interest income and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Ames Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$12,584,448, above last year's ending fund balances of \$11,375,733. However, the primary reason for the increase in the combined fund balances is the increase in the Management Levy Fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tuition and state sources resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures, resulting in a decrease in fund balance from \$8,498,329 to \$7,864,040.
- The Management Levy Fund balance increased from \$1,506,850 to \$2,405,545, due to the increase in other local sources received and the District budgeting to use the fund balance to finance future property insurance costs and early retirement incentives payments.
- The Capital Projects Fund balance increased from a deficit \$158,274 to \$654,283, due to the increase in local option sales and services tax and a decrease in capital facility construction.
- The Debt Service Fund balance increased from \$582,820 to \$645,294, due to the increase in property tax received used for bond repayments.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$98,984 at June 30, 2006 to a deficit \$86,034 at June 30, 2007, representing a 7.64% increase.

BUDGETARY HIGHLIGHTS

The District's revenues were \$959,350 more than budgeted revenues, a variance of 1.79%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the support services and non-instructional programs functions due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$55.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.55% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,718,387.

The original cost of the District's capital assets was \$75,816,648. Governmental funds account for \$74,677,289 with the remainder of \$1,139,359 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$41,890,031 at June 30, 2007, compared to \$42,866,682 reported at June 30, 2006. This decrease resulted from the current year depreciation exceeding this years capitalized building improvements.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 4,981,652	4,981,652	0	0	4,981,652	4,981,652	0.00%
Construction in progress	756,286	169,931	0	0	756,286	169,931	345.05%
Buildings	41,890,031	42,866,682	0	0	41,890,031	42,866,682	-2.28%
Land improvements	5,514,275	5,834,225	0	0	5,514,275	5,834,225	-5.48%
Machinery and equipment	1,475,248	1,554,972	762,214	844,778	2,237,462	2,399,750	-6.76%
Total	\$ 54,617,492	55,407,462	762,214	844,778	55,379,706	56,252,240	-1.55%

Long-Term Debt

At June 30, 2007, the District had \$28,180,118 in general obligation and other long-term debt outstanding. This represents a decrease of 11.01% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$6,290,000 at June 30, 2007.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$17,916,450 at June 30, 2007.

The District had outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$420,000 at June 30, 2007.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,214,908 at June 30, 2007.

The District had outstanding termination benefits payable from the General Fund of \$30,348 at June 30, 2007.

The District had outstanding compensated absences payable from the General Fund of \$308,412 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 6,290,000	8,655,000	-27.33%
Revenue bonds	17,916,450	20,000,000	100.00%
Capital loan notes	420,000	1,000,000	-58.00%
Early retirement	1,214,908	1,654,741	-26.58%
Termination benefit	30,348	37,109	100.00%
Compensated absences	308,412	319,193	-3.38%
Totals	\$ 26,180,118	31,666,043	-17.32%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- The District has experienced declining enrollment for the past nine years. Despite growth in the city of Ames, there is little residential growth within the school district's boundaries.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- The District is currently negotiating with the teachers for the FY 2008 school year and just completed negotiations with PPME for the 2008 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Shimp, District Secretary/Treasurer and Chief Financial Officer, Ames Community School District, 415 Stanton Avenue, Ames, Iowa, 50014-7331.

BASIC FINANCIAL STATEMENTS

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 19,886,684	1	19,886,685
Receivables:			
Property tax:			
Delinquent	221,999	0	221,999
Succeeding year	24,676,233	0	24,676,233
Income surtax	1,650,000	0	1,650,000
Interfund	581,338	0	581,338
Accounts	468,264	18,517	486,781
Due from other governments	2,078,821	0	2,078,821
Prepaid items	25,765	0	25,765
Inventories	892	17,367	18,259
Capital assets, net of accumulated depreciation (Note 5)	54,617,492	762,214	55,379,706
TOTAL ASSETS	104,207,488	798,099	105,005,587
LIABILITIES			
Excess of warrants issued over bank balance	0	261,312	261,312
Interfund payable	0	581,338	581,338
Accounts payable	735,726	25,037	760,763
Salaries and benefits payable	4,542,127	2,481	4,544,608
Incurred but not reported claims	617,832	0	617,832
Interest payable	89,988	0	89,988
Deferred revenue:			
Succeeding year property tax	24,676,233	0	24,676,233
Other	43,939	0	43,939
Unearned revenue	75,840	13,965	89,805
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	380,000	0	380,000
Revenue bonds payable	2,609,028	0	2,609,028
Capital loan notes payable	420,000	0	420,000
Early retirement payable	379,199	0	379,199
Termination benefit payable	5,202	0	5,202
Compensated absences payable	308,412	0	308,412
Portion due after one year:			
General obligation bonds payable	5,910,000	0	5,910,000
Revenue bonds payable	15,307,422	0	15,307,422
Early retirement payable	835,709	0	835,709
Termination benefit payable	25,146	0	25,146
TOTAL LIABILITIES	56,961,803	884,133	57,845,936
NET ASSETS			
Invested in capital assets, net of related debt	29,991,042	762,214	30,753,256
Restricted for:			
Debt service	645,294	0	645,294
Beginning teacher mentoring program	3,597	0	3,597
Salary improvement program	7,332	0	7,332
Additional teacher contract day	2,646	0	2,646
Professional development	303	0	303
Market factor	30,437	0	30,437
Early intervention	1,004	0	1,004
Non-public textbooks	3,277	0	3,277
Decategorization	2,309	0	2,309
Management levy	1,160,289	0	1,160,289
Capital projects	654,283	0	654,283
Physical plant and equipment levy	657,977	0	657,977
Other special revenue purposes	357,309	0	357,309
Unrestricted	13,728,586	(848,248)	12,880,338
TOTAL NET ASSETS	\$ 47,245,685	(86,034)	47,159,651

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 17,817,427	1,443,625	2,591,902	(13,781,900)	0	(13,781,900)
Special instruction	7,215,977	2,048,477	219,012	(4,948,488)	0	(4,948,488)
Other instruction	4,536,098	1,039,574	0	(3,496,524)	0	(3,496,524)
	29,569,502	4,531,676	2,810,914	(22,226,912)	0	(22,226,912)
Support services:						
Student services	789,299	0	0	(789,299)	0	(789,299)
Instructional staff services	807,927	0	0	(807,927)	0	(807,927)
Administration services	4,710,528	0	0	(4,710,528)	0	(4,710,528)
Operation and maintenance of plant services	6,001,416	0	0	(6,001,416)	0	(6,001,416)
Transportation services	1,369,255	178,368	34,233	(1,156,654)	0	(1,156,654)
	13,678,425	178,368	34,233	(13,465,824)	0	(13,465,824)
Other expenditures:						
Long-term debt interest	1,248,182	0	0	(1,248,182)	0	(1,248,182)
AEA flowthrough	1,296,411	0	1,296,411	0	0	0
Depreciation (unallocated)*	1,466,532	0	0	(1,466,532)	0	(1,466,532)
	4,011,125	0	1,296,411	(2,714,714)	0	(2,714,714)
Total governmental activities	47,259,052	4,710,044	4,141,558	(38,407,450)	0	(38,407,450)
Business-Type activities:						
Support services						
Administration services	3,881	0	0	0	(3,881)	(3,881)
Operation and maintenance of plant services	13,200	0	0	0	(13,200)	(13,200)
	17,081	0	0	0	(17,081)	(17,081)
Non-instructional programs:						
Nutrition services	1,462,312	967,254	517,792	0	22,734	22,734
Total business-type activities	1,479,393	967,254	517,792	0	5,653	5,653
Total	\$ 48,738,445	5,677,298	4,659,350	(38,407,450)	5,653	(38,401,797)
General Revenues:						
Property tax levied for:						
General purposes				\$ 19,297,273	0	19,297,273
Debt service				2,662,357	0	2,662,357
Capital outlay				3,037,328	0	3,037,328
Income surtax				1,863,129	0	1,863,129
Local option sales and services tax				4,338,047	0	4,338,047
Unrestricted state grants				11,733,867	0	11,733,867
Unrestricted investment earnings				828,723	4,227	832,950
Other				610,157	0	610,157
Total general revenues				44,370,881	4,227	44,375,108
Change in net assets before capital contributions				5,963,431	9,880	5,973,311
Capital contributions				0	3,070	3,070
Changes in net assets				5,963,431	12,950	5,976,381
Net assets beginning of year				41,282,254	(98,984)	41,183,270
Net assets end of year				\$ 47,245,685	(86,034)	47,159,651

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS						
Cash and pooled investments	\$ 10,298,883	2,394,517	20,641	648,805	1,242,055	14,604,901
Receivables:						
Property tax						
Delinquent	152,020	19,360	0	23,644	26,975	221,999
Succeeding year	16,825,312	1,999,998	0	2,740,924	3,109,999	24,676,233
Income surtax	1,650,000	0	0	0	0	1,650,000
Interfund	581,338	0	19	0	0	581,357
Accounts	401,619	0	84	0	66,561	468,264
Due from other governments	1,440,897	76	637,604	93	151	2,078,821
Inventories	25,765	0	0	0	0	25,765
Prepaid items	892	0	0	0	0	892
TOTAL ASSETS	\$ 31,376,726	4,413,951	658,348	3,413,466	4,445,741	44,308,232
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund payable	\$ 19	0	0	0	0	19
Accounts payable	379,602	7,549	4,065	27,248	317,162	735,626
Salaries and benefits payable	4,541,268	859	0	0	0	4,542,127
Deferred revenue:						
Succeeding year property tax	16,825,312	1,999,998	0	2,740,924	3,109,999	24,676,233
Income surtax	1,650,000	0	0	0	0	1,650,000
Other	43,939	0	0	0	0	43,939
Unearned revenue	72,546	0	0	0	3,294	75,840
Total liabilities	23,512,686	2,008,406	4,065	2,768,172	3,430,455	31,723,784
Fund balances:						
Reserved for:						
Debt service	0	0	0	645,294	0	645,294
Beginning teacher mentoring program	3,597	0	0	0	0	3,597
Salary improvement program	7,332	0	0	0	0	7,332
Additional teacher contract day	2,646	0	0	0	0	2,646
Professional development	303	0	0	0	0	303
Market factor	30,437	0	0	0	0	30,437
Early intervention	1,004	0	0	0	0	1,004
Non-public textbooks	3,277	0	0	0	0	3,277
Decategorization	2,309	0	0	0	0	2,309
Unreserved:						
Designated for special purposes	315,787	0	0	0	0	315,787
Designated for cash flow	6,000,000	0	0	0	0	6,000,000
Undesignated:						
General	1,497,348	0	0	0	0	1,497,348
Management levy	0	2,405,545	0	0	0	2,405,545
Capital projects	0	0	654,283	0	0	654,283
Physical plant and equipment levy	0	0	0	0	657,977	657,977
Other special revenue purposes	0	0	0	0	357,309	357,309
Total fund balances	7,864,040	2,405,545	654,283	645,294	1,015,286	12,584,448
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,376,726	4,413,951	658,348	3,413,466	4,445,741	44,308,232

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 12,584,448
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	54,617,492
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	1,650,000
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	4,663,851
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(89,988)
Long-term liabilities, including bonds payable, capital loan notes payable, early retirement payable, termination benefit payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(26,180,118)
Net assets of governmental activities (page 14)	<u>\$ 47,245,685</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 18,905,506	2,179,930	4,338,047	2,662,357	3,037,328	31,123,168
Tuition	3,432,356	0	0	0	0	3,432,356
Other	1,587,400	95,563	692	14,970	1,021,599	2,720,224
Intermediate sources	38,904	0	0	0	0	38,904
State sources	14,728,767	733	0	895	1,021	14,731,416
Federal sources	1,101,449	0	0	0	0	1,101,449
Total revenues	39,794,382	2,276,226	4,338,739	2,678,222	4,059,948	53,147,517
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	17,032,782	893,276	0	0	0	17,926,058
Special instruction	7,275,595	0	0	0	0	7,275,595
Other instruction	3,725,287	0	0	0	814,514	4,539,801
	28,033,664	893,276	0	0	814,514	29,741,454
Support services:						
Student services	824,229	0	0	0	0	824,229
Instructional staff services	812,896	0	0	0	0	812,896
Administration services	4,811,084	2,953	0	0	400	4,814,437
Operation and maintenance of plant services	3,262,402	481,302	0	0	47,524	3,791,228
Transportation services	1,387,985	0	0	0	0	1,387,985
	11,098,596	484,255	0	0	47,924	11,630,775
Other expenditures:						
Facilities acquisitions	0	0	931,373	0	2,044,277	2,975,650
Long-term debt:						
Principal	0	0	0	5,028,550	0	5,028,550
Interest and fiscal charges	0	0	0	1,265,962	0	1,265,962
AEA flowthrough	1,296,411	0	0	0	0	1,296,411
	1,296,411	0	931,373	6,294,512	2,044,277	10,566,573
Total expenditures	40,428,671	1,377,531	931,373	6,294,512	2,906,715	51,938,802
Excess(deficiency) of revenues over(under) expenditures	(634,289)	898,695	3,407,366	(3,616,290)	1,153,233	1,208,715
Other financing sources(uses):						
Transfer in	0	0	2,068,690	4,957,027	332,334	7,358,051
Transfer out	0	0	(4,663,499)	(1,278,263)	(1,416,289)	(7,358,051)
Total other financing sources(uses)	0	0	(2,594,809)	3,678,764	(1,083,955)	0
Net change in fund balances	(634,289)	898,695	812,557	62,474	69,278	1,208,715
Fund balance beginning of year	8,498,329	1,506,850	(158,274)	582,820	946,008	11,375,733
Fund balance end of year	\$ 7,864,040	2,405,545	654,283	645,294	1,015,286	12,584,448

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 1,208,715

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 866,129	
Depreciation expense	(1,632,753)	
Loss on disposal of capital assets	<u>(23,346)</u>	(789,970)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 5,028,550

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 17,780

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 74,966

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 439,833	
Other Termination Benefit	6,761	
Compensated Absences	<u>10,781</u>	457,375

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance and printing at an entity-wide basis. (33,985)

Changes in net assets of governmental activities (page 15) \$ 5,963,431

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Funds
ASSETS		
Cash and pooled investments	\$ 1	5,281,783
Receivables:		
Accounts	18,517	0
Inventories	17,367	0
Capital assets, net of accumulated depreciation(Note 5)	762,214	0
TOTAL ASSETS	798,099	5,281,783
LIABILITIES		
Excess of warrants issued over bank balance	261,312	0
Interfund payable	581,338	0
Accounts payable	25,037	100
Salaries and benefits payable	2,481	0
Incurred but not reported claims	0	617,832
Unearned revenues	13,965	0
TOTAL LIABILITIES	884,133	617,932
NET ASSETS		
Invested in capital assets	762,214	0
Unrestricted:		
Undesignated	(848,248)	4,663,851
TOTAL NET ASSETS	\$ (86,034)	4,663,851

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Funds
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 967,254	5,074,767
TOTAL OPERATING REVENUES	967,254	5,074,767
OPERATING EXPENSES:		
Support services:		
Administration services:		
Services	963	0
Other	2,918	0
Operation and maintenance of plant services:		
Services	13,200	0
	17,081	0
Non-instructional programs:		
Salaries	19,751	0
Benefits	11,091	5,099,611
Services	634,655	0
Supplies	711,181	9,141
Depreciation	85,634	0
	1,462,312	5,108,752
TOTAL OPERATING EXPENSES	1,479,393	5,108,752
OPERATING LOSS	(512,139)	(33,985)
NON-OPERATING REVENUES:		
State sources	13,222	0
Federal sources	504,570	0
Interest income	4,227	0
TOTAL NON-OPERATING REVENUES	522,019	0
Changes in net assets before capital contributions	9,880	(33,985)
Capital contributions	3,070	0
Changes in net assets	12,950	(33,985)
Net assets beginning of year	(98,984)	4,697,836
Net assets end of year	\$ (86,034)	4,663,851

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business- type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 923,450	0
Cash received from miscellaneous operating activities	64,778	5,074,767
Cash payments to employees for services	(30,733)	(4,900,864)
Cash payments to suppliers for goods or services	(1,764,825)	(9,229)
Net cash provided by(used in) operating activities	(807,330)	164,674
Cash flows from non-capital financing activities:		
Loan from General Fund	92,733	0
State grants received	13,222	0
Federal grants received	435,836	0
Net cash provided by non-capital financing activities	541,791	0
Cash flows from investing activities:		
Interest on investments	4,227	0
Net cash provided by investing activities	4,227	0
Net increase(decrease) in cash and cash equivalents	(261,312)	164,674
Cash and cash equivalents at beginning of year	1	5,117,109
Cash and cash equivalents at end of year	\$ (261,311)	5,281,783
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (512,139)	(33,985)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:		
Commodities consumed	68,734	0
Depreciation	85,634	0
Increase in inventories	(1,870)	0
Decrease in accounts receivable	26,750	0
Decrease in accounts payable	(468,772)	0
Increase in salaries and benefits payable	109	0
Increase in incurred but not reported claims	0	198,747
Decrease in unearned revenue	(5,776)	0
Net cash provided by operating activities	\$ (807,330)	164,762

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
SHEET:

Current assets:		
Cash and pooled investments	\$ (261,311)	5,281,783

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$68,734.

During the year ended June 30, 2007, the General Fund contributed capital of \$3,070.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
ASSETS	
Accounts receivable	\$ 93,608
Due from other groups	123,948
TOTAL ASSETS	<u>\$ 217,556</u>
LIABILITIES	
Excess of warrants issued over bank balance	\$ 217,204
Accounts payable	352
TOTAL LIABILITIES	<u>\$ 217,556</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Ames Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served primarily includes the City of Ames, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ames Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Ames Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Health Insurance Fund. The Nutrition Fund is used to account for the food service operations of the District. The Health Insurance Fund is used to account for the self-funded health insurance operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and IPASeducation which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007 balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Items - The District prepaid items from the General Fund. Items prepaid include disability and life insurance premiums for the 2007-08 year.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund. The student fees are fees for the next year. The student fee balances are reflected on the balance sheet in the General Fund and Special Revenue Fund, Student Activity Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2007, the District had investments in Certificates of Deposit maturing over a year as follows:

	Fair Value
Certificate of Deposit	\$ 2,145,367

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 80,633

At June 30, 2007, the District had investments in the IPASeducation as follows:

Diversified Portfolio

Amortized Cost
<u>\$ 10,226,942</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service. The investments in the IPAS education are registered and not subject to rating.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenues - Physical Plant and Equipment Levy	\$ 625,862
Capital Projects	Debt Service	1,278,263
Capital Projects	Special Revenues - Physical Plant and Equipment Levy	790,427
Special Revenues - Physical Plant and Equipment Levy	Capital Projects	332,334
Debt Service	Capital Projects	<u>4,331,165</u>
Total		<u>\$ 7,358,051</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise, School Nutrition	\$ 581,338
Capital Projects	General	19
Total		<u>\$ 581,357</u>

The General Fund is repaying the Capital Projects fund for supplies. The balance will be repaid by June 30, 2008.

The Enterprise, School Nutrition Fund is repaying the General fund for salaries and benefits. The balance will be repaid by June 30, 2008.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,981,652	0	0	4,981,652
Construction in progress	169,931	756,286	169,931	756,286
Total capital assets not being depreciated	<u>5,151,583</u>	<u>756,286</u>	<u>169,931</u>	<u>5,737,938</u>
Capital assets being depreciated:				
Buildings	58,470,983	169,931	0	58,640,914
Land improvements	7,361,696	0	0	7,361,696
Machinery and equipment	2,937,348	109,843	110,450	2,936,741
Total capital assets being depreciated	<u>68,770,027</u>	<u>279,774</u>	<u>110,450</u>	<u>68,939,351</u>
Less accumulated depreciation for:				
Buildings	15,604,301	1,146,582	0	16,750,883
Land improvements	1,527,471	319,950	0	1,847,421
Machinery and equipment	1,382,376	166,221	87,104	1,461,493
Total accumulated depreciation	<u>18,514,148</u>	<u>1,632,753</u>	<u>87,104</u>	<u>20,059,797</u>
Total capital assets being depreciated, net	<u>50,255,879</u>	<u>(1,352,979)</u>	<u>23,346</u>	<u>48,879,554</u>
Governmental activities capital assets, net	<u>\$ 55,407,462</u>	<u>(596,693)</u>	<u>193,277</u>	<u>54,617,492</u>
Business-type activities:				
Machinery and equipment	\$ 1,136,289	3,070	0	1,139,359
Less accumulated depreciation	291,511	85,634	0	377,145
Business-type activities capital assets, net	<u>\$ 844,778</u>	<u>(82,564)</u>	<u>0</u>	<u>762,214</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 78,682
Support services:	
Administration	9,610
Operation and maintenance	27,925
Transportation	50,004
	<u>166,221</u>
Unallocated depreciation	<u>1,466,532</u>
Total governmental activities depreciation expense	<u>\$ 1,632,753</u>
Business-type activities:	
Food services	<u>\$ 85,634</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 8,655,000	0	2,365,000	6,290,000	380,000
Revenue Bonds	20,000,000	0	2,083,550	17,916,450	2,609,028
Capital Loan Notes	1,000,000	0	580,000	420,000	420,000
Early Retirement	1,654,741	169,274	609,107	1,214,908	379,199
Other Termination Benefit	37,109	0	6,761	30,348	5,202
Compensated Absences	319,193	308,412	319,193	308,412	308,412
Total	<u>\$ 31,666,043</u>	<u>477,686</u>	<u>5,963,611</u>	<u>26,180,118</u>	<u>4,101,841</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2004			
	Interest Rates	Principal	Interest	Total
2008	3.50 %	\$ 380,000	309,923	689,923
2009	3.50	395,000	296,623	691,623
2010	3.50	415,000	282,797	697,797
2011	3.50	430,000	268,272	698,272
2012	3.05	450,000	253,223	703,223
2013-2017	3.25-3.75	2,495,000	1,033,060	3,528,060
2018-2020	3.85-4.00	1,725,000	387,615	2,112,615
Total		<u>\$ 6,290,000</u>	<u>2,831,513</u>	<u>9,121,513</u>

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	2006 Series A		2006 Series B		Total		
		Principal	Interest	Principal	Interest	Principal	Interest	Total
2008	4.65 %	\$ 1,304,514	388,988	1,304,514	388,988	2,609,028	777,976	3,387,004
2009	4.65	1,366,484	327,018	1,366,484	327,018	2,732,968	654,036	3,387,004
2010	4.65	1,431,397	262,105	1,431,397	262,105	2,862,794	524,210	3,387,004
2011	4.65	1,499,395	194,108	1,499,395	194,108	2,998,790	388,216	3,387,006
2012	4.65	1,570,622	122,881	1,570,622	122,881	3,141,244	245,762	3,387,006
2013-2014	4.65	1,785,813	48,815	1,785,813	48,815	3,571,626	97,630	3,669,256
Total		\$ 8,958,225	1,343,915	8,958,225	1,343,915	17,916,450	2,687,830	20,604,280

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- In each month commencing October 1, 2007 receipts of the local option sales and services tax after deposits to the Sinking Fund shall be deposited in the Reserve Fund until there is on deposit in the Reserve Fund the amount of \$1,000,000.
- Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes

During the year ended June 30, 2001 the District issued \$2,800,000 in capital loan notes to purchase 122.75 acres of land. This loan is paid from the Physical Plant and Equipment Levy (PPEL) Fund. Details of the capital loan notes indebtedness at June 30, 2007 are as follows:

Year Ending June 30,	Note Issue of June 30, 2001			
	Interest Rates	Principal	Interest	Total
2008	4.80 %	\$ 420,000	20,160	440,160

(7) Termination Benefits

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement incentive for each eligible employee approved by the Board will be based on the number of days of accumulated sick leave (maximum of 165 days) times 15% of the employee's per diem salary. For this purpose, per diem salary is defined as base salary plus longevity pay. The employee will receive an additional \$15 for each day of accumulated sick leave (maximum of 165 days).

The District shall contribute the lump sum amount of the employee's retirement compensation directly in an account for the employee under the District's Employer Sponsored 403(b) Special Pay Deferral Plan, as a non-elective employer contribution, within 60 days of the employee's retirement effective date; provided, however, that the amount of such contribution shall not exceed the application limitations under section 403(b) and other applicable provisions of the Internal Revenue Code of 1986, as amended.

As part of the early retirement incentive, the District will pay a fixed dollar amount per month for single medical insurance coverage until the retiree reaches age 65. The dollar amount (currently \$411.86) will be the single premium for plan 4 (\$1,000 deductible). The rate in effect at the retirement effective date will be the rate provided by the District. The District's contribution toward medical insurance will not increase after established at the retirement effective date.

Early retirement benefits paid during the year ended June 30, 2007, totaled \$609,107. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Other Termination Benefit

The District offered a special termination benefit for an employee that resigned during the year. The District agreed to pay a fixed amount per month for single medical insurance coverage until the employee reaches age 65. Health and dental insurance will be paid until April 2013 at the rate of \$433.54. The District also agreed to pay life insurance for one year at the rate of \$65.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Bond Defeasement

On June 1, 2007, the District advance refunded \$2,000,000 of outstanding general obligation bonds. The proceeds of the refunding issued have been placed in an irrevocable escrow account. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. The bonds are callable on June 1, 2011. At June 30, 2007, \$2,000,000 of such bonds are outstanding. Repayment of principal and interest for the year was \$0 and \$0. The net present value savings to the District for the advance refunding was \$428,107.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$1,458,879, \$1,371,122 and \$1,299,350 respectively, equal to the required contributions for each year.

(10) Risk Management

The District has a self-funded health and dental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$75,000 in insured claims for any one covered individual. Settled aggregate stop-loss claims have not exceeded the commercial coverage in any of the past two years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$4,725,999 at April 30, 2007, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$617,832 reported in the plan at April 30, 2007, is based on the requirements of GASB Statement Number 10, is included as a liability on the Statement of Net Assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded

commercial insurance coverage in any of the past four fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,296,411 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into contracts totaling \$1,535,312 for a variety of projects including: roofing projects at Meeker and the High School, paving at Edwards, Middle School and High School, new doors at Meeker and the High School, ceiling and lighting replacement at Sawyer, flooring at Fellows, Sawyer, Edwards, Mitchell and the High School, PA Systems at all elementary schools, pool repairs at the pool, boiler replacement at Crawford, bleacher replacement at Crawford and the High School, in-wall tables at Edwards, gas line replacement at the High School, a sprinkler line system at the High School and a sewer line replacement at the High School. As of June 30, 2007, costs of \$756,286 had been incurred against the contracts. The balance of \$779,026 remaining at June 30, 2007 will be paid as work on the project progresses.

(13) Deficit Net Assets

The Enterprise Fund, Nutrition Fund had deficit unrestricted, undesignated net assets of \$848,248 at June 30, 2007.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

(15) Contingencies

As of June 30, 2007, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 37,275,748	971,481	38,247,229	37,541,313	37,541,313	705,916
Intermediate sources	38,904	0	38,904	0	0	38,904
State sources	14,731,416	13,222	14,744,638	14,576,127	14,576,127	168,511
Federal sources	1,101,449	504,570	1,606,019	1,560,000	1,560,000	46,019
Total revenues	53,147,517	1,489,273	54,636,790	53,677,440	53,677,440	959,350
Expenditures:						
Instruction	29,741,454	0	29,741,454	30,205,000	30,205,000	463,546
Support services	11,630,775	17,081	11,647,856	11,305,000	11,305,000	(342,856)
Non-instructional programs	0	1,462,312	1,462,312	1,275,000	1,275,000	(187,312)
Other expenditures	10,556,573	0	10,556,573	10,881,144	10,881,144	324,571
Total expenditures	51,928,802	1,479,393	53,408,195	53,666,144	53,666,144	257,949
Excess of revenues over expenditures	1,218,715	9,880	1,228,595	11,296	11,296	1,217,299
Other financing sources, net	0	3,070	3,070	0	0	3,070
Excess of revenues and other financing sources over expenditures	1,218,715	12,950	1,231,665	11,296	11,296	1,220,369
Balance beginning of year	11,375,733	(98,984)	11,276,749	10,711,539	10,711,539	(565,210)
Balance end of year	\$ 12,594,448	(86,034)	12,508,414	10,722,835	10,722,835	655,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

AMES COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 387,364	854,691	1,242,055
Receivables:			
Property tax:			
Current year delinquent	0	26,975	26,975
Succeeding year	0	3,109,999	3,109,999
Accounts	887	65,674	66,561
Due from other governments	0	151	151
TOTAL ASSETS	\$ 388,251	4,057,490	4,445,741
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,648	289,514	317,162
Deferred revenue:			
Succeeding year property tax	0	3,109,999	3,109,999
Unearned revenue	3,294	0	3,294
	30,942	3,399,513	3,430,455
Fund balances:			
Unreserved, undesignated	357,309	657,977	1,015,286
	357,309	657,977	1,015,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 388,251	4,057,490	4,445,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:			
Local sources:			
Local tax	\$ 0	3,037,328	3,037,328
Other	889,218	132,381	1,021,599
State sources	0	1,021	1,021
TOTAL REVENUES	889,218	3,170,730	4,059,948
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	814,514	0	814,514
Support services:			
Administration services	0	400	400
Transportation services	47,524	0	47,524
Other expenditures:			
Facilities acquisition	0	2,044,277	2,044,277
TOTAL EXPENDITURES	862,038	2,044,677	2,906,715
EXCESS OF REVENUES OVER EXPENDITURES	27,180	1,126,053	1,153,233
OTHER FINANCING SOURCES(USES):			
Transfers in	0	332,334	332,334
Transfers out	0	(1,416,289)	(1,416,289)
TOTAL OTHER FINANCING SOURCES(USES)	0	(1,083,955)	(1,083,955)
Net change in fund balances	27,180	42,098	69,278
FUND BALANCE BEGINNING OF YEAR	330,129	615,879	946,008
FUND BALANCE END OF YEAR	\$ 357,309	657,977	1,015,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-wide	\$ 1,458	0	0	1,458
Edwards	49	1,974	1,935	88
Fellows	2,133	705	1,681	1,157
Meeker	2,826	3,372	3,372	2,826
Mitchell	1,173	1,388	1,317	1,244
Sawyer	4,782	11,154	12,726	3,210
Wilson-Beardshear	2,076	1,278	845	2,509
Middle School	162,145	211,178	202,968	170,355
High School	153,487	658,169	637,194	174,462
Total	\$ 330,129	889,218	862,038	357,309

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>AMES EDUCATION FOUNDATION</u>				
<u>ASSETS</u>				
Accounts receivable	\$ 73,027	76,830	73,027	76,830
Due from other groups	409	40	409	40
	<u>\$ 73,436</u>	<u>76,870</u>	<u>73,436</u>	<u>76,870</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 73,325	76,830	73,325	76,830
Accounts payable	111	40	111	40
	<u>\$ 73,436</u>	<u>76,870</u>	<u>73,436</u>	<u>76,870</u>
<u>VOCATIONAL CONSORTIUM</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 5,806	0	5,806	0
Accounts receivable	0	16,778	0	16,778
Due from other groups	0	118,554	0	118,554
	<u>\$ 5,806</u>	<u>135,332</u>	<u>5,806</u>	<u>135,332</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 0	135,332	0	135,332
Accounts payable	3,671	0	3,671	0
Due to other groups	2,135	0	2,135	0
	<u>\$ 5,806</u>	<u>135,332</u>	<u>5,806</u>	<u>135,332</u>
<u>HS/MS/ELEMENTARY AGENCY</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 49,698	0	49,698	0
Accounts receivable	5,306	0	5,306	0
Due from other groups	0	5,354	0	5,354
	<u>\$ 55,004</u>	<u>5,354</u>	<u>55,004</u>	<u>5,354</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 0	5,042	0	5,042
Accounts payable	0	312	0	312
Due to other groups	55,004	0	55,004	0
	<u>\$ 55,004</u>	<u>5,354</u>	<u>55,004</u>	<u>5,354</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 55,504	0	55,504	0
Accounts receivable	78,333	93,608	78,333	93,608
Due from other groups	409	123,948	409	123,948
	<u>\$ 134,246</u>	<u>217,556</u>	<u>134,246</u>	<u>217,556</u>
<u>LIABILITIES</u>				
Excess of warrants issued over bank balance	\$ 73,325	217,204	73,325	217,204
Accounts payable	3,782	352	3,782	352
Due to other groups	57,139	0	57,139	0
	<u>\$ 134,246</u>	<u>217,556</u>	<u>134,246</u>	<u>217,556</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 31,123,168	29,817,748	29,875,333	28,146,387
Tuition	3,432,356	2,881,124	2,674,002	2,084,827
Other	2,720,224	2,648,452	1,830,736	1,540,697
Intermediate sources	38,904	0	0	0
State sources	14,731,416	14,017,998	14,134,624	13,937,110
Federal sources	1,101,449	1,182,298	1,455,320	966,725
Total	<u>\$ 53,147,517</u>	<u>50,547,620</u>	<u>49,970,015</u>	<u>46,675,746</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 17,926,058	16,760,663	17,174,548	17,607,918
Special instruction	7,275,595	6,915,251	6,378,855	7,348,660
Other instruction	4,539,801	4,528,819	3,909,347	2,234,282
Support services:				
Student services	824,229	745,104	797,409	1,745,654
Instructional staff services	812,896	781,440	1,365,352	1,398,942
Administration services	4,814,437	5,552,988	3,647,865	2,486,807
Operation and maintenance of plant services	3,791,228	3,569,330	3,258,440	3,113,517
Transportation services	1,387,985	1,387,587	1,170,207	795,050
Central support services	0	0	0	289,631
Non-instructional programs	0	0	0	2,400
Other expenditures:				
Facilities acquisitions	2,975,650	13,249,013	25,733,717	9,000,261
Long-term debt:				
Principal	5,028,550	905,000	865,000	1,170,000
Interest and other charges	1,265,962	550,218	512,918	222,796
AEA flow-through	1,296,411	1,221,693	1,217,993	1,235,782
Total	<u>\$ 51,938,802</u>	<u>56,167,106</u>	<u>66,031,651</u>	<u>48,651,700</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	\$ 68,734
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	74,678
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	361,158
			<u>435,836</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-G	434,960
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	0225-D	48,715
			<u>483,675</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>45,326</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 06	10,426
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 07	5,271
			<u>15,697</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>15,291</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 07	<u>24,500</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 07	<u>25,482</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	28,482
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	139,902
			<u>168,384</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 06	4,986
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 07	15,173
			<u>20,159</u>

AMES COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	218,612
SERVICES FOR CHILDREN WITH DEAF - BLINDNESS	84.025	FY 07	400
TOTAL			\$ 1,522,096

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ames Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Ames Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ames Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ames Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ames Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ames Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ames Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ames Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ames Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Ames Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ames Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ames Community School District and other parties to whom Ames Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ames Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Ames Community School District

Compliance

We have audited the compliance of Ames Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Ames Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ames Community School District's management. Our responsibility is to express an opinion on Ames Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ames Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ames Community School District's compliance with those requirements.

In our opinion, Ames Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Ames Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ames Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ames Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ames Community School District and other parties to whom Ames Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 27, 2008

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over a major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ames Community School District qualified as a low-risk auditee.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Within the Student Activity Fund there are S.O.S. accounts. It appears that the transactions in these accounts are more instructional in nature and should be moved to the General Fund.

Field trips and donations associated with field trips should be run through the General Fund. The field trip accounts do not appear to be related to a specific club or student run organization.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review the propriety of receipts and expenditures that are recorded in our Student Activity Fund and transfer any funds that need be to the proper fund where they can be recorded.

Conclusion - Response accepted.

II-B-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of the funds to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis on a timely basis.

Response - The District has modified the bank reconciliation process and reassigned personnel so that reconciliations are performed on a regular basis.

Conclusion - Response accepted.

- II-C-07 Internal Service Fund - Health Insurance - We noted during our audit that the Internal Service, Health Insurance Fund purchased bottled water and \$2,000 in gift cards which were given as incentives to employees. The gift cards are being stored in a locked location.

Recommendation - The District should identify the programs being offered through the Internal Service, Health Insurance Fund and document allowable expenses. The purchase of bottled water as well as gift cards as incentives do not appear to meet public purpose. In addition, the gift cards are additional compensation and should be included on the employees W-2. We would suggest the District cash in the gift cards and cease this type of program.

Response - The District has liquidated all gift cards and discontinued the Wellness Incentive program that was offered to employees through the Internal Service, Health Insurance Fund. Staff has been advised of the legal requirements of expenditure of public funds.

Conclusion - Response accepted.

- II-D-07 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for all athletic and other student activity event gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - District personnel are working with athletic, music, art and other student activities collection gate or door admissions on reconciliation procedures for admission revenue. All activity sponsors have been advised, and are required to, use pre-numbered tickets for their events. We will continue to monitor admission revenue receipts and reconciliations for compliance with proper procedures.

Conclusion - Response accepted.

- II-E-07 Timely Deposits and Detailed Deposit Slips - We noted during our audit that deposits for the Enterprise Fund, School Nutrition Fund were prepared but may not be taken to the bank for deposit until several days later. In addition, the amounts collected for deposit were not posted to the student account balance tracking system in a timely manner. We also noted during our audit that there were no details listed on the deposit slips for the Enterprise Fund, School Nutrition Fund.

It was also noted that sponsors are collecting monies for the Student Activity Fund and turning all the money in at once and not as the students turn the money in. The sponsors are not giving receipts to the students for monies they collect.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely. Sponsors should be giving receipts to students for the monies collected. The Sponsors should be turning in the receipts and money for deposit in a timely manner. The Sponsors should turn monies collected into the office for timely deposit.

Response - The District will conduct training for all food service personnel handling money on requirements for prompt depositing and receipting of funds. We will monitor food service deposits on a regular basis for compliance.

The District will review procedures followed by activity Sponsors when collecting monies and make adjustments where necessary to assure proper receipting and timely deposit of funds.

Conclusion - Response accepted.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies were reported.

AMES COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the amended certified budget amounts in the support services and non-instructional programs functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will certify sufficient spending authority to cover expenses with its original budget. The District will monitor actual expenditures verses the certified budget and amend the budget if needed.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. (See comment I-C-07.)

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. We did note during our audit that there was an instance of a travel expense voucher that was not calculated correctly resulting in an overpayment of \$3.

Recommendation - The District has an administrator approval signature on the travel expense voucher. It appears that the administrator signing the travel expense voucher needs to review basic math calculations. The administrator before signing approval should recalculate the reimbursement request.

Response - The District conducts training on proper procedures for travel expenditures at the beginning of each school year. We will remind administrators of the requirement to recalculate reimbursement requests that they approve before submitting them to Accounts Payable, and monitor the accuracy of the reimbursement.

Conclusion - Response accepted.

IV-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will strive to meet timely publication requirements for the Board minutes and will retain proper documentation from our publication of record supporting the date minutes were submitted.

Conclusion - Response accepted.

IV-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 2 students on line 1, which resulted in overstating the total actual enrollment on line 7 by 2 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Department of Management and the Department of Education regarding the enrollment overstatement of two students and will work with the agencies for resolution of the matter.

Conclusion - Response accepted.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-07 Financial Condition - The Enterprise Fund - Nutrition Fund had deficit unrestricted, undesignated net assets of \$848,248, at June 30, 2007.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit. The District may want to do a five-year workout plan for the Enterprise Fund - Nutrition Fund to improve the balance to a solvent position.

Response - We will continue to take steps to improve the financial condition of the Enterprise Fund - Nutrition Fund.

Conclusion - Response accepted.